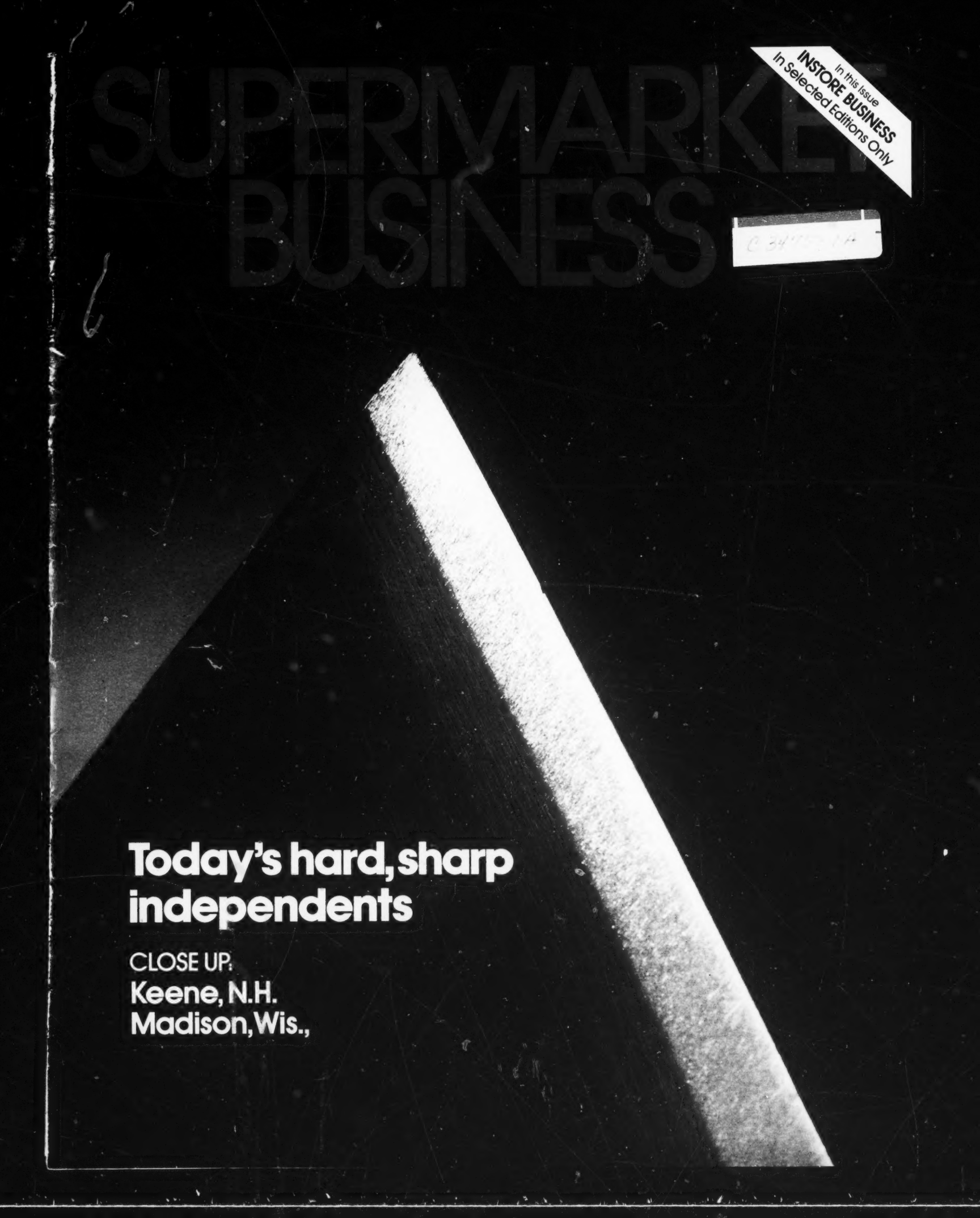
SUPERMARKET BUSINESS

In this Issue
INSTORE BUSINESS
In Selected Editions Only



Today's hard, sharp independents

CLOSE UP:
Keene, N.H.
Madison, Wis.,

PUBLISHER:
Jeffrey A. Schaeffer
EDITOR:
Kenneth P. Partch
SENIOR EDITOR:
Douglas T. Harris, Jr.
MANAGING EDITOR:
Robert J. Hughes
ASSOCIATE EDITOR:
Sarah Lum
ASSISTANT EDITOR:
Marianne Skoczek
ART DEPARTMENT:
Karen Sockler
CONTRIBUTING EDITORS:
Meat: **Kenneth Johnson, John Francis**
Produce: **Barney H. McClure**
Technology: **Richard Shulman**
Store Planning: **David Rogers**
Washington: **S.S. Filippone**
CIRCULATION MANAGER:
Virginia Bucci Posner
PRODUCTION MANAGER:
Daniel Coakley
DIRECTOR OF PUBLICATION RESOURCES AND RESEARCH:
Norman Bussel
914-528-1369

ADVERTISING SALES:
EAST:
NORTHEAST REGIONAL SALES MANAGER:
Jack Driscoll
SOUTHEAST REGIONAL SALES MANAGER:
Al Greenberger
EASTERN REGION ACCOUNTS MANAGER:
Jerry Whitman
Fieldmark Media, Inc.
25 W. 43rd Street, Suite 707
New York, N.Y. 10036
CHICAGO:
MIDWEST DIVISION SALES MANAGER:
Dave Wishard
MIDWEST REGIONAL SALES MANAGER:
Allan Preiss
Fieldmark Media, Inc.
3530 W. Peterson Ave.
Chicago, Ill. 60659
312-583-1318
WEST COAST:
Sue Marriti
Fieldmark Media, Inc.
15910 Ventura Blvd., Suite 800
Encino, Calif. 91436
818-783-5888

CORPORATE STAFF
FIELDMARK MEDIA, INC.
25 W. 43rd Street, Suite 707
New York, N.Y. 10036
212-354-5169
PRESIDENT:
Jeffrey A. Schaeffer
ADMINISTRATIVE MANAGER:
Catherine Cahill
BUSINESS MANAGER:
Eric Braunstein
CORPORATE DIRECTOR SALES AND MARKETING:
Thomas M. Rigney
AFFILIATED PUBLICATION:
Milling & Baking News
Sosland Publishing Co.
Kansas City, Mo.

COVER PHOTOGRAPHY:
Jerry and Nancy Palubniak

SUPERMARKET BUSINESS Magazine (ISSN 0196-5700) is published monthly by Fieldmark Media, Inc., 25 W. 43rd St., New York, N.Y. 10036. Telephone: (212) 354-5169. Circulated free of charge to grocery retailers and wholesalers. U.S. subscriptions $32 per year; Canada, $37 per year. Foreign subscriptions $48. Single copies $3.50 except Consumer Expenditures Study (September issue) $15 per copy. (Discount prices available on multiple purchases.) Copyright © 1984 Fieldmark Media, Inc. All rights reserved. Second class postage paid at New York, N.Y., and additional mailing offices.

BPA ABP American Business Press Inc.

SUPERMARKET BUSINESS

VOLUME 39
NUMBER 7
JULY 1984

PAGE 14
TWO BIG INDEPENDENTS SQUARE OFF IN MADISON, WISCONSIN

It isn't a typical price war in Madison. Cub, with its well-established format, strong game plan and well-organized systems and controls is being strongly challenged by Woodman's—a 120,000-sq.-ft. super warehouse store that not only emphasizes prices but service. This isn't a battle between giant corporate chains or corporate wholesalers. It's a war between powerful mavericks.

PAGE 20
WHY IS KEENE, N.H. (POP. 22,000) UNDER SIEGE?

Keene is the shopping center of southwestern New Hampshire, and there isn't a big city for around 50 miles. But despite the attractiveness to shoppers of the state—no sales tax, low-priced liquor—can that alone justify the need for two new super warehouse stores and a new super service store?

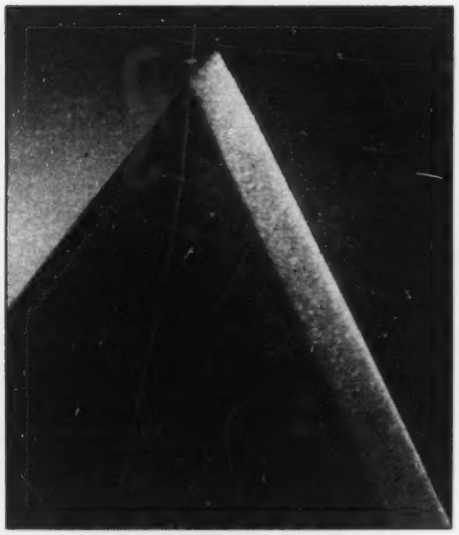
FACING PAGE 20:
PAGE 1A
INSTORE BUSINESS* SECOND ANNUAL OPERATIONS REVIEW

PAGE 29
WHEN SHOULD YOU TAKE A CASH DISCOUNT?

With the number of deals being offered increasing constantly, it's important to know which ones to take and how much to buy. Giant warehouse stores have been able to forward buy in a big way. They've used this advantage to sell profitably at low prices. But you don't have to be a goliath to obtain the benefits of most deals. What matters is developing an effective buying strategy. Here, a financial expert explores the field.

FACING PAGE 36:
PAGE 1B
NONFOODS BUSINESS* MERCHANDISING BACK-TO-SCHOOL PRODUCTS

This solid and steady year-to-year category can still be an exciting one if it's approached with new merchandising ideas. Two stores have done very well by the back-to-school category with innovative retailing.



PAGE 4B
RE-INVENTING THE GENERAL STORE

The Pick 'N Save Warehouse in Gurnee, Ill., has more than just a nonfoods section: it's got a whole General Store that offers everything from lawn mowers to paints to wall coverings.

ALSO IN NONFOODS BUSINESS:

SAMI	PAGE 7B
NEW PRODUCTS	PAGE 10B

PAGE 38
GOING APE ON PROMOTIONS

Price Chopper, in New York State, goes beyond the ordinary in its instore promotions. If you think a King Kong-like gorilla poised between aisles is something, how about a Cadillac parked in the produce section?

OTHER FEATURES AND DEPARTMENTS

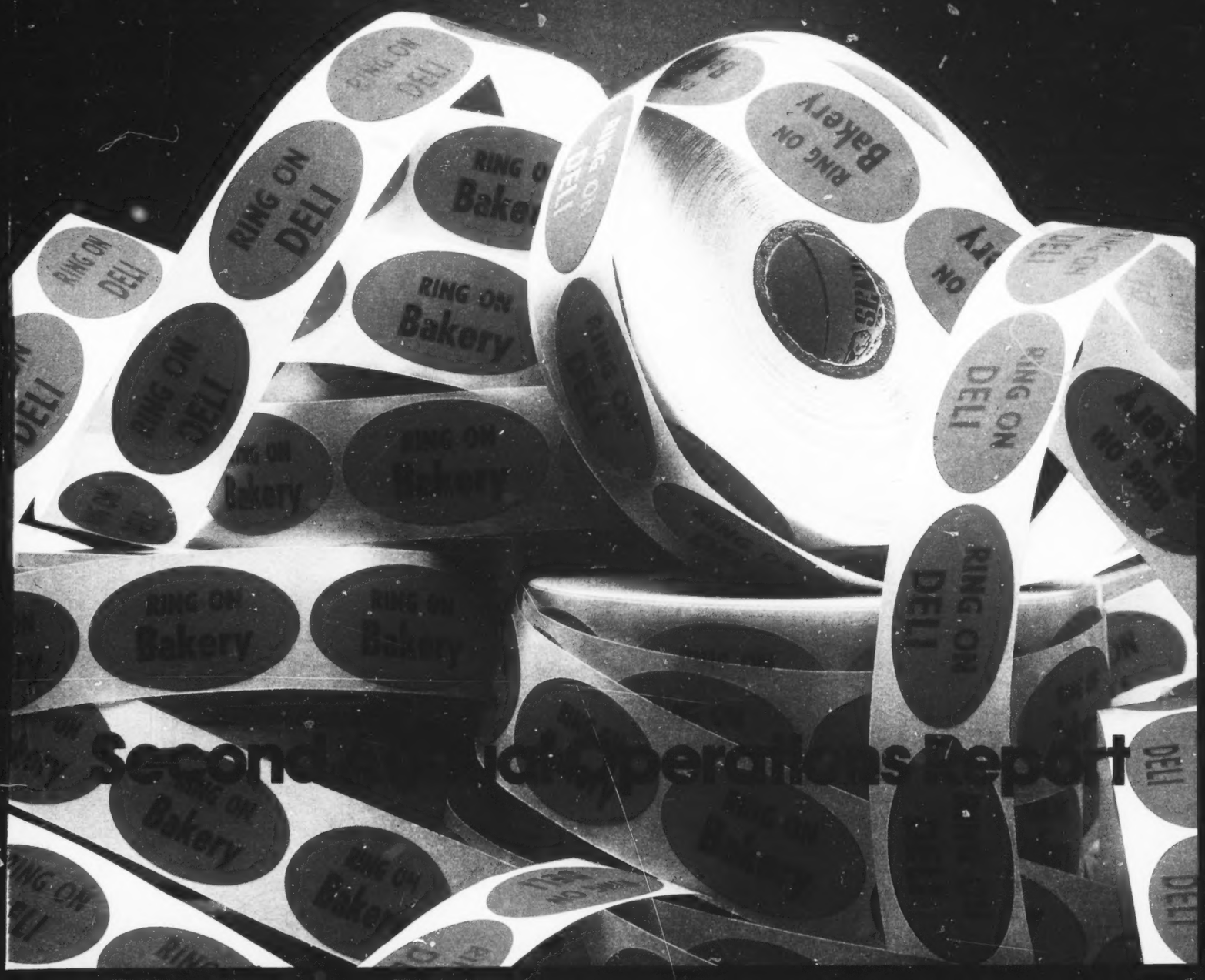
EDITOR'S VIEW	PAGE 5
TRADESCAN	PAGE 7
TECHNOLOGY	PAGE 27
NEW PRODUCTS	PAGE 33
PRODUCE	PAGE 34
NEW EQUIPMENT	PAGE 37

*IN SELECTED EDITIONS ONLY

SUPERMARKET BUSINESS

instoreBUSINESS

FOR DELIS, BAKERIES & FOOD SERVICE



Second Annual Operations Report

instore BUSINESS

COVER PHOTOGRAPHY:
Jerry and Nancy Palubniak

2nd Annual Operations Report

For the first time anywhere, the two fastest-growing departments in the supermarket share an Annual Report of their own. Last year's enumeration of operating data—including margins, product mix and transaction size— has been expanded to present an authoritative census of the number of departments and their sales. Tracking the awesome trajectory of the service deli and instore bakery department is a fitting undertaking for the only publication dedicated to chronicling their growth, while growing along with them.

SERVICE DELI
PAGE 4A
Hot Foods Help Heat Up Deli Sales

While $4.59 billion may seem like a lot of potato salad and cole slaw, it may only be a twig of parsley garnish compared to the potential of service deli. Almost half of supermarkets still don't have a service deli, and those that do see three out of four customers pass them up. Some of today's big sellers—like pizza, chicken and ribs—may presage more upmarket lines of take-home entrees and meals in the future, according to the forecasts of many operators.

INSTORE BAKERY
PAGE 5A
Cost-Consciousness Campaign Recruits Self-Service

Customer draw? Definitely. Loss leader? No way. To make sure bakery profits don't fall like flour through a sifter, operators are watching their production and merchandising procedures as closely as their ovens these days. What they're seeing is that the judicious use of innovative new self-service merchandising techniques can be both a crowd-pleaser and a tonic for the bottom line. Other data confirm what you probably already suspected: croissant can be translated as "very popular indeed."

Four Simple Steps to Do-It-Yourself Breakeven Analysis
PAGE 18A

Before committing yourself to a new food service venture, a short workout with some worksheets may be beneficial to your fiscal health. The example shown here can easily be adapted to your own situation.

NEW PRODUCTS
PAGE 22A

ONE STOP BAKERY SHOP

ALL KINDS, SORTS, TYPES, SHAPES, SIZES
STYLES, FORMS, DIMENSIONS, TASTES, FLAVORS

That's right...in fact, we offer a surprising variety of many quality frozen products to please you and your customers. Each of them meticulously prepared in the most modern and sophisticated bakery in all the land.

Our emphasis is on quality. We take the finest of French recipes and work them into gourmet delights...hundreds of folded and rolled...and rerolled...layers of rich pastry doughs interlayered with margarine or butter. It's enough to make a gourmet's mouth water.

Everything arrives raw-frozen, ready for your ovens. You can be serenely confident that you'll receive the finest quality results every time. *That's right...every time!* How come?

Because Orange Bakery utilizes the most sophisticated equipment known in the American Baking Industry. We turn our special Rheon MM production system into the most exacting French chef in the world. And the fastest, too. Imagine,...17,000 1.6-ounce croissants every hour.

We have it all: unmatched quality, infinite variety...and these combine to give you enormous profit potential. And that, after all, is the bottom line.

Orange Bakery, Inc.

17751 Cowan Avenue, Irvine, California 92714 (714) 540-4123

SUPPLIERS OF RAW-FROZEN AND BAKED PASTRY

SECOND ANNUAL

PREPARED BY
ROBERT DIETRICH

Service Deli Review

Three out of four service delis are located first in store traffic flow. And that's no accident, as anyone who believes in the importance of first impressions can testify. A strong transmission of a service and freshness image gives an immediate down-the-first-aisle boost to overall store image.

While sales rose last year by 15.6 percent to $4.59 billion, operators see a far greater potential that's still unrealized. After all, an estimated three out of four customers see the deli first but then pass it by without making a purchase.

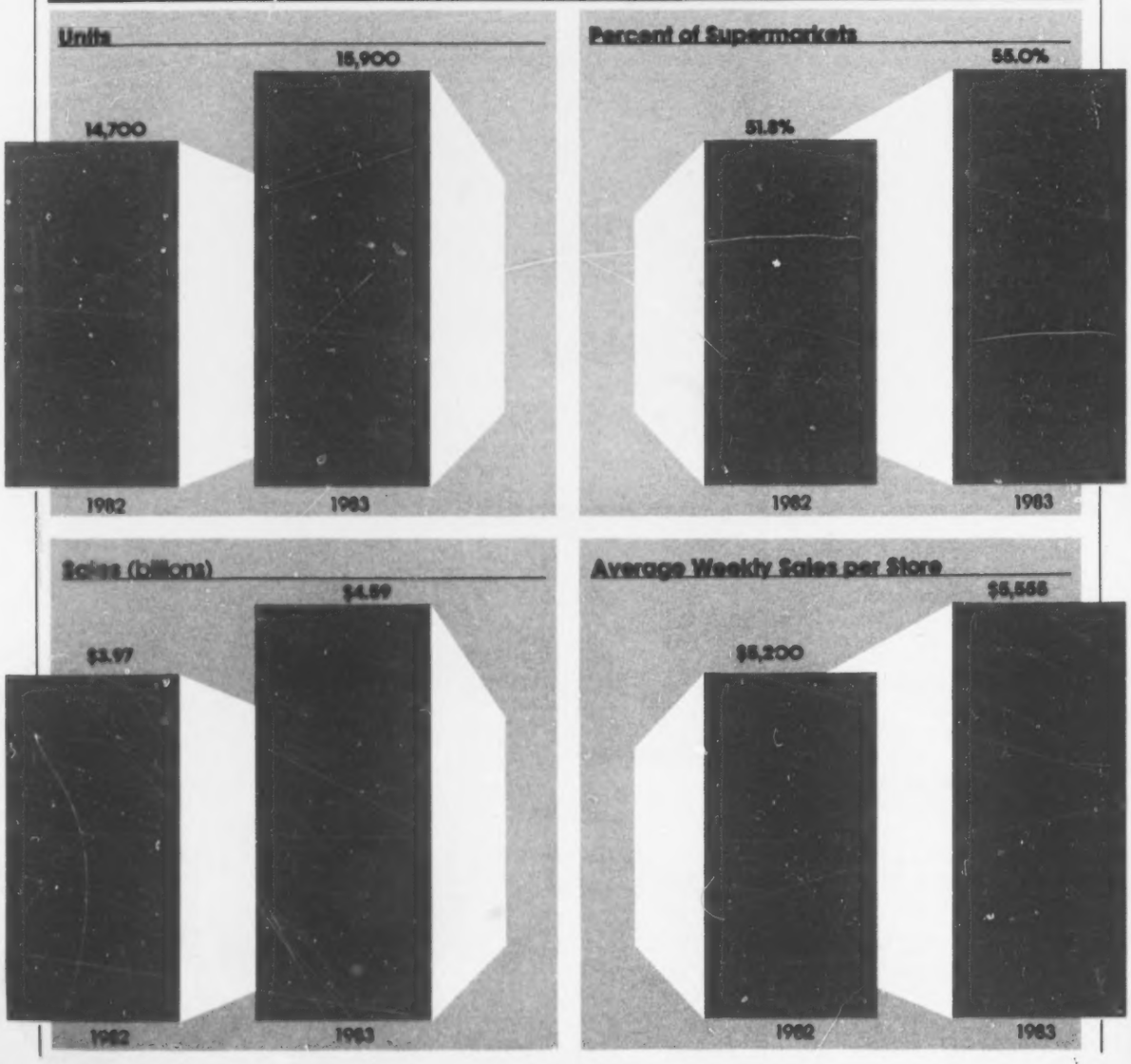
As in any supermarket department, new products are seen as a way of combatting customer indifference. In delis these days, that new product is likely to be pizza—often prepared to customer specifications by a serviceperson.

More traditional deli fare such as hot chicken and ribs are proving a strong customer draw. Stores that did without them are now buying cooking and merchandising equipment to ride with this trend.

In the past, hot foods have often proved a problem to service delis, with many feeling that the appearance of sometimes dried up foods on sloppily maintained steam tables undermined departmental image.

But these days there's growing interest in finding a mix of entrees and meals for busy shoppers to take home that will *enhance*, rather than detract from, the appeal of the department. The secret this time around, some operators say, will be to present wholesome, high quality hot items in line with customer expectations and willingness to pay for value.

Future prosperity will also hinge on service—having enough help on hand at peak times. This can be translated to mean both better scheduling and greater dependency on part-timers.



The service deli presence has been extended to 55.0% of supermarkets. Today's shoppers want the freshness and convenience of a well-stocked and well-serviced department, and laid down $4.59 billion last year to prove it. The total rise in sales of 15.6% was abetted by an increase in units of 8.2% to 15,900 as well as a 6.8% increase in average unit sales. The service department director of a California-based chain forecasts, "All new stores and remodels will have a service deli."

OPERATIONS REPORT

Instore Bakery Review

It was a year in which instore bakeries attained a presence in over half of U.S. supermarkets (54 percent), and sales rose by 19 percent to $3.25 billion.

More important for the long-term health of the sector was a pre-occupation with profit protection through cost control. The effort led to reevaluation of practices in several areas: production methods; equipment; labor; and service policies.

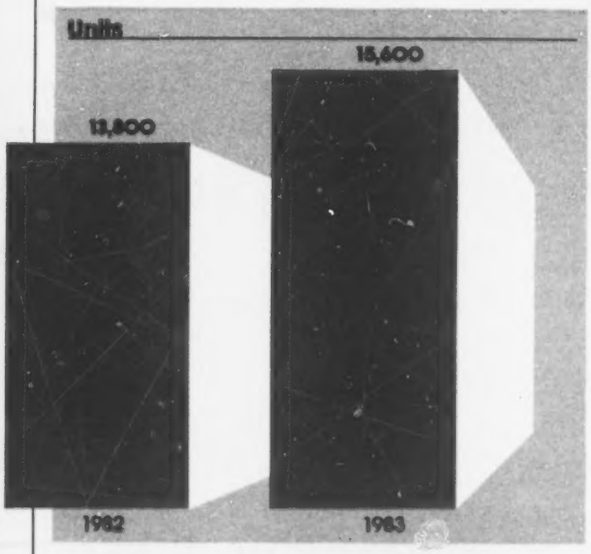
This sometimes meant a review of the product mix. Were some products too labor-intensive as presently prepared? If so, should they be dropped, or should an alternative method of production be adopted? Or could time- or energy-saving equipment (such as more efficient ovens) make the fiscal difference?

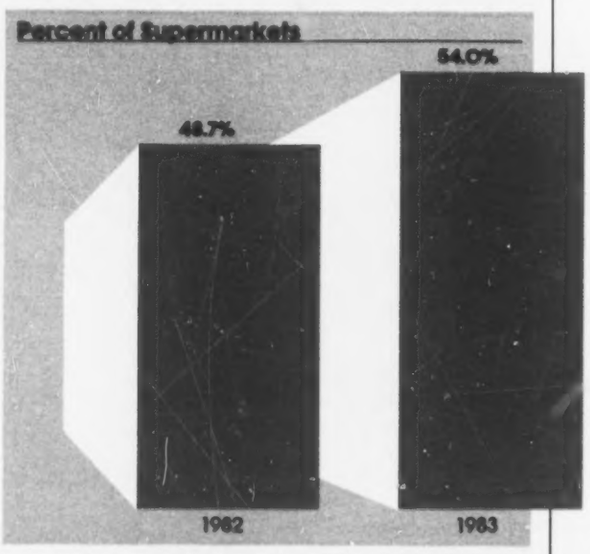
Most attention, however, was focused on self-service, which ingenious bakery operators developed into a whole new art form, with carefully modulated variations to fit location and store format. While smaller independents found a formula that their customers responded to, super warehouse stores like Cub created self-service facilities compatible with their own unique environment.

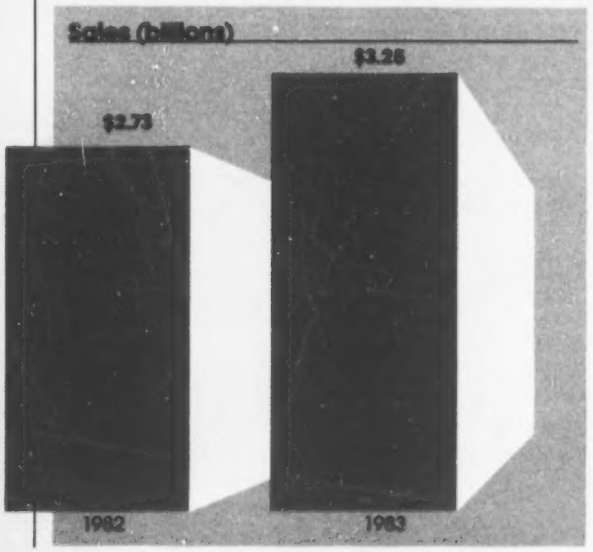
Half of all operators foresee a trend toward more self-service in the future, be it roll bins or a wall of cases with sweet goods.

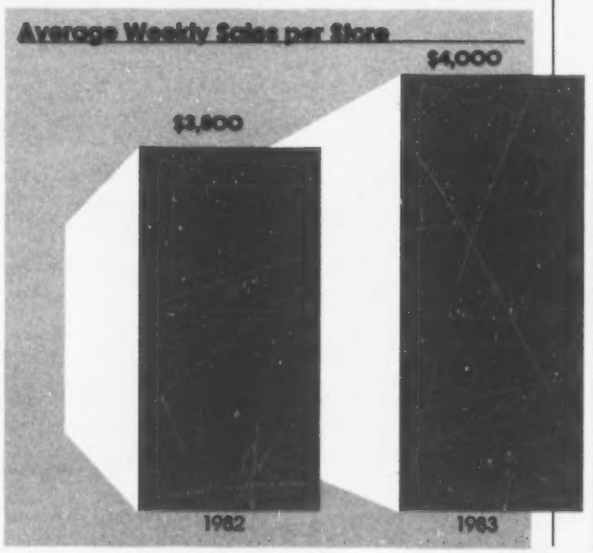
In addition to cost-cutting, this movement could make an important contribution to sales-building as customers who were formerly too impatient to wait their turn for service enthusiastically tong their own fresh baked goods.

Meanwhile, the product's still the thing, and bakeries that are serving a rush of croissant and bagel fanciers this year can be expected to find some new recipes to enhance their success in the future.









Sales of supermarket in-store bakeries skyrocketed 19%—or half a billion dollars—to $3.25 billion last year. For the first time bakeries could claim a presence in over half (54% to be precise) of all supers, with their count rising by 13% to 15,600. Few new stores opened without a bakery installation, and many older stores had these departments grafted on during remodeling. A further nudge to total volume came from a 5.3% increase in average weekly sales per store to $4,000.

NOTE: For meaningful comparison with your own operations, two types of averages are shown in this report. The mean is a straight arithmetic average. The median represents the central value when the responses are arrayed in rank order—meaning that half the respondents gave an answer higher than the median, and half gave a lower answer. The figures in this report are based on mail responses by industry executives responsible for over 10,000 supermarkets.

Instore Bakery Review

Harboring an instore bakery means thinking big—in terms of space (1,335 square feet); of margins (54.7%); and of labor (32.2% of sales).

Commitment to an instore bakery means allocating a significant one foot in 20 to this enterprise. This is an increasingly popular commitment, however, as the bakery becomes almost a given in new-store planning, as well as a popular option in many remodels. Upgrading of existing departments is also a priority. "We have plans to improve over half of our bakeries," says the bakery director of a major northeastern chain.

Over two-thirds of bakery departments run with between three and six (full-time equivalent) employees. The role of part-timers seems likely to increase further as efforts are made to hold down costs. Several operators feel that a review of the more labor-intensive products they offer is also in order.

Ringing up $2.50 out of every $100 at the checkout, bakery's share of sales was unchanged in 1983. (This reality contrasts with operators' perception that share actually increased and will do so again this year.) Actual weekly dollar sales increased to $4,000, with a third reporting grosses above that level. A spokesperson for a Virginia chain foresees "a gradual but steady rise in bakery sales ahead."

Labor costs in instore bakeries are not only being watched—they're being kept in place. The 32 cents out of every sales dollar allotted for this purpose is virtually unchanged since 1982. While gross margins average 54.7%, some operators report figures in excess of 60% and even 70%.

Bakeries need lots of space for both production and merchandising, as well as lots of labor. Both, of course, are well worth their costs and can accommodate an umbrella of generous gross margins. Weekly sales per square foot of $2.95 and per employee of $705 were off only a hair from 1982.

Size of Department

Square Feet of Space	
Mean	1,335 Square Feet
Median	1,000 Square Feet

Square Feet	
500 or less	11%
501-750	13
751-1000	26
1001-1500	18
1501-2000	11
2001-2500	13
Over 2500	8
Total	100%

Share of Total Store Space	
Mean	5.3%
Median	4.3%

Percent Share	
2.5 or less	9%
2.6-5.0	46
5.1-7.5	21
7.6-10.0	18
Over 10.0	6
Total	100%

Number of Employees

Full Time	3.3
Part Time	4.6
Full Time Equivalent*	5.6

FTE Employees	
1-2	5%
3-4	32
5-6	34
7-9	21
10 or more	8
Total	100%

*2 part time = 1 full time employee.

Average Weekly Sales

Mean	$4,000
Median	$3,200

$2,000 or less	14%
$2,001-$3,000	35
$3,001-$4,000	19
$4,001-$6,000	16
$6,001-$8,000	8
Over $8,000	8
Total	100%

Change in Sales

(1983 Vs. 1982)	
Higher	90%
Lower	10
No change	—
Total	100%

Share of Total Store Sales

Mean	2.5%
Median	2.3%

% of Total Sales	
0.1-1.4	19%
1.5-1.9	20
2.0-2.9	28
3.0-3.9	17
4.0-4.9	11
5.0 or more	8
Total	100%

Change in Share of Total Store Sales

	83 Vs. 82	84 Vs. 83*
Increase share	84%	83%
No change	13	14
Decrease share	3	3
Total	100%	100%

*Estimate.

How Much for Labor

Labor as a Percent of Instore Bakery Department Sales	
Mean	32.2%
Median	30.0%

21-25%	11%
26-30	37
31-35	29
36-40	18
41 or more	5
Total	100%

Gross Margins

Mean	54.7%
Median	53.0%

30-39%	6%
40-49	26
50-59	37
60-69	20
70 or more	11
Total	100%

Measures of Productivity

Average Weekly Sales Per Square Foot of Space	
Mean	$2.95

Under $2.50	34%
$2.51-$5.00	49
Over $5.00	17
Total	100%

Average Weekly Sales Per Employee*	
Mean	$705

Under $500	17%
$501-$750	37
$751-$1,000	37
Over $1,000	9
Total	100%

*Full time equivalent

Continued on page 14A

Service Deli Review

Behind every full-time deli employee stand two part timers, helping to shave labor costs as well as ham and roast beef.

Already a respectable 4% of total store sales, deli is expected by many to increase its share. While sales average $5,555 per week, almost one store in 10 surpasses the $10,000 watermark. Several expect that deli's bigger bite will be correlated to the addition of more hot entrees and meals that shoppers can take home and later reheat and serve.

With less need for extensive prep area than its sister bakery department, the service deli functions in an average 895 square feet of space, about 3.9% of the store total. A handful of departments measures over 2,000 feet.

As an aid to flexible scheduling to meet peak traffic times, as well as to control labor costs, two part-time workers supplement each full-time deli department employee. Many operators say they are fine-tuning their labor scheduling to optimize productivity.

Gross margins held steady last year at an average 40.0%, while the cost of labor as a percent of sales edged up a bit to 23.7%. The wide range of labor costs—from under 15% to over 30%—is attributable in part to differences in philosophy about how much prep work should be done in the department vis-a-vis using commissary-supplied foods or purchasing already prepared foods from outside suppliers.

Average Weekly Sales

Mean	$5,555
Median	$4,500
$2,000 or less	13%
$2,001-$3,000	13
$3,001-$4,000	20
$4,001-$5,000	10
$5,001-$6,000	11
6,001-$8,000	14
$8,001-$10,000	10
Over $10,000	9
Total	100%

Change in Dollar Sales

(1983 Vs. 1982)	
Higher	73*
Lower	8
No change	19
Total	100%

Share of Total Store Sales

Mean	4.0%
Median	3.5%

% of Total Sales	
0.1-1.9	9%
2.0-2.9	26
3.0-3.9	26
4.0-4.9	21
5.0 or more	18
Total	100%

Change in Share of Total Store Sales

	83 Vs.82	84 Vs. 83*
Increase share	72%	73%
No change	26	25
Decrease share	2	2
Total	100%	100%

*Estimate.

Size of Department

Square Feet of Space	
Mean	895 Square Feet
Median	750 Square Feet

Square Feet	
500 or less	38%
501-750	12
751-1000	21
1001-1500	13
1501-2000	11
Over 2000	4
Total	100%

Share of Total Store Space	
Mean	3.9%
Median	3.3%

Percent Share	
1.0-2.5	40%
2.6-5.0	42
5.1-7.5	8
Over 7.5	10
Total	100%

Number of Employees

Full Time	2.7
Part Time	5.2
Full Time Equivalent*	5.3

FTE Employees	
1-2	7%
3-4	40
5-6	26
7-9	20
10 or more	7
Total	100%

*2 part time = 1 full time employee.

Gross Margins

Mean	40.0%
Median	40.0%
Less than 30%	5%
30-34	21
35-39	22
40-44	31
45-49	12
50 or more	9
Total	100%

How Much for Labor

(Labor as a Percent of Service Deli Sales)	
Mean	23.7%
Median	22.5%
10-15%	12%
16-20	24
21-25	30
26-30	24
Over 30	10
Total	100%

Service Deli Review

The well-tempered product mix is the surest proof of managerial acumen. As that mix adds more hot foods, the right equipment is a must.

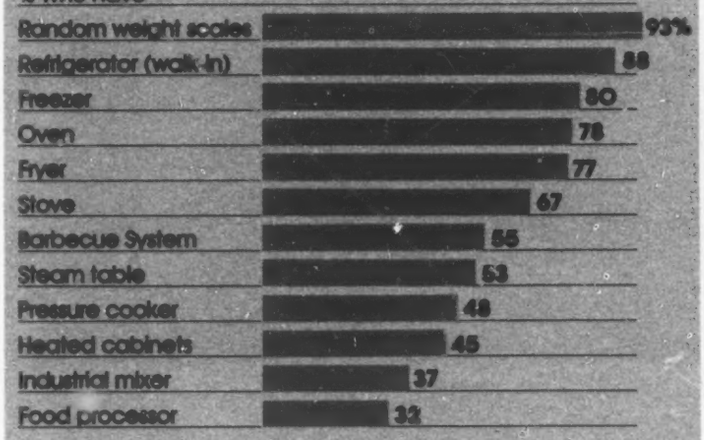
Increased attention to at least a limited selection of hot offerings—such as chicken and ribs—seems to be reflected in an increased incidence of fryers, heated cabinets and barbecue systems. Not reflected in this list of equipment is a new movement for deli departments to be responsible for the store's salad bar.

On either measurement of productivity, service deli appears to have registered increases in excess of any price increases. Still, many stores show performance far below the norms, which may be explained in part by policies on how much space and time is allocated to in-store prep work.

While its 5.0% share of sales may seem modest, enthusiasm for offering pizza in the service deli is hotter than a pepperoni topping. Methods of preparation vary from instore, custom-made-to-customer specifications, to prepacked from outside suppliers. Chicken and ribs also seem able to excite both operator and shopper enthusiasm.

While it's reported that one shopper in four stops at the service deli to make a purchase, no one knows how many others pass it by because it looks too crowded. The size of the average sale is higher where high-ticket hot items are offered.

The Well-Equipped Service Deli



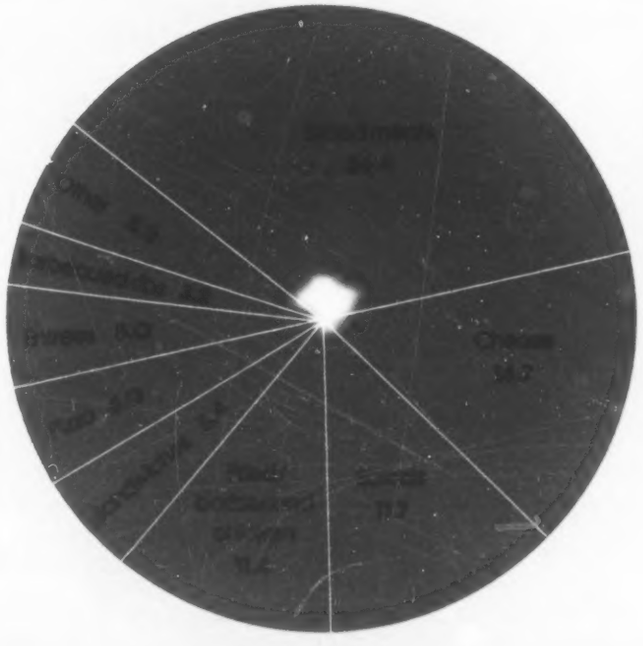
Measures of Productivity

Average Weekly Sales Per Square Foot of Space	
Mean	$6.21
Under $5.00	36%
$5.01-$10.00	43
$10.01-$20.00	19
Over $20.00	2
Total	100%

Average Weekly Sales Per Employee*	
Mean	$1,048
Under $500	6%
$501-$750	33
$751-$1,000	17
$1,001-$1,500	23
$1,501-$2,000	15
Over $2,000	6
Total	100%

*Full time equivalent employees.

Portioning Out the Service Deli Sales Dollar



How Customers Spend

Percent Who Shop the Deli	
Mean	24.8%
Median	24.0%

How Much They Spend	
Mean	$3.33
Median	$3.32
Under $2.00	18%
$2.01-$3.00	32
$3.01-$4.00	35
Over $4.00	18
Total	100%

Service Deli Review

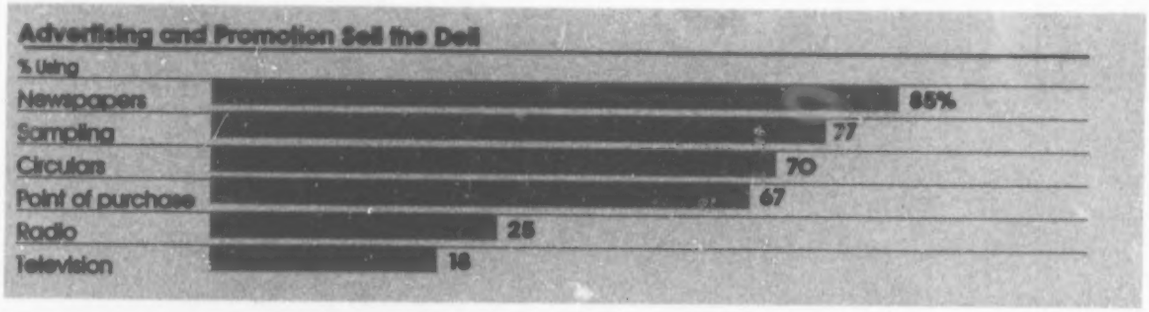
A deli can set its own style by striking the right balance between scratch preparation and the judicious selection of outside suppliers.

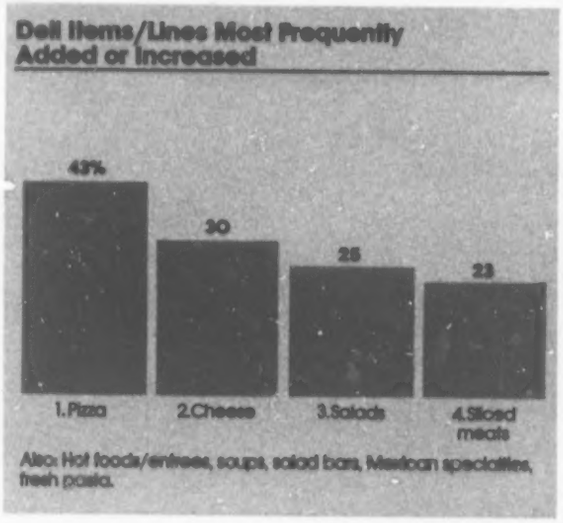
One taste is worth a thousand words of advertising, according to advocates of sampling. With so many suppliers offering instore sampling programs, this customer favorite is available to all. Newspapers dominate the traditional media choices.

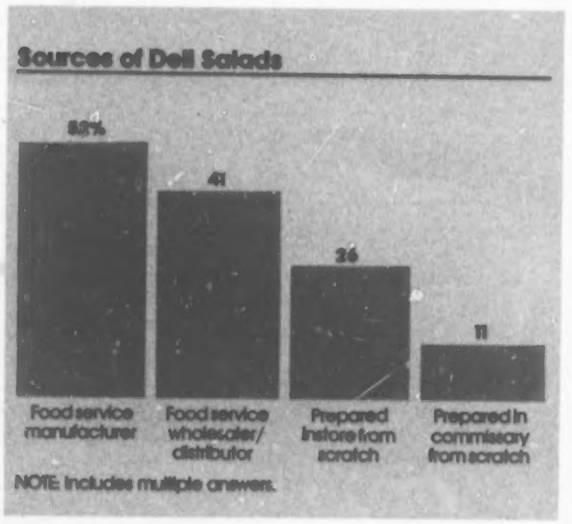
Four out of 10 service delis have recently added pizza, a line they frequently support with point-of-sale merchandising. While cheese, salads and sliced meats are, of course, a staple of all departments, the assortment that is offered is constantly re-edited. For sliced meats, that frequently means the initiation of a shaved (or sometimes called wafered) meats program.

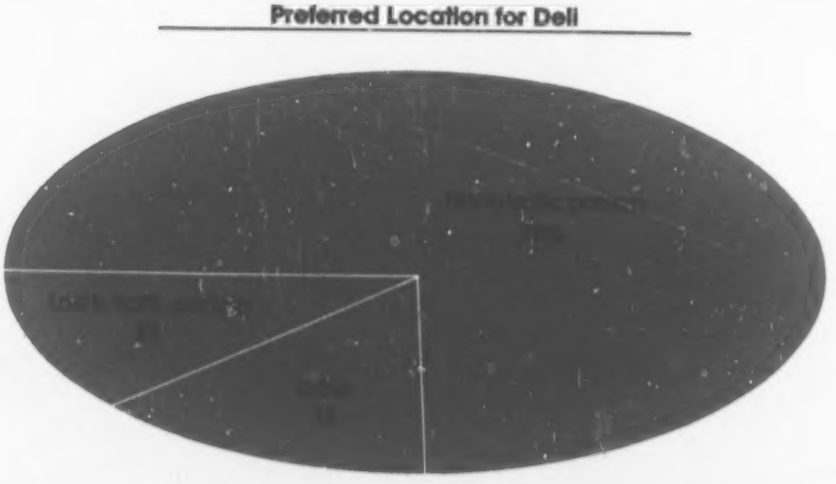
Salads constitute one of the battlegrounds on the issue of just how much instore preparation is practicable. Some stores opt for preparing a short list of "signature salads" themselves (often offered at premium prices) and then supplementing them with purchases from suppliers. Salad suppliers for their part increasingly offer such an in-depth selection that choices can be made that closely complement customer tastes in particular areas (particularly important for cole slaw and potato and macaroni salads, where shoppers are said to be "picky").

To a larger degree than is true for bakery, service deli is often chosen for the first spot in the traffic pattern. An attractive department immediately transmits a freshness-service-variety message to incoming shoppers.









Instore Bakery Review

While customers may be fickle in their tastes as they're tempted by new choices, a high-quality bakery can build loyalty for both store and department.

Are croissants a fad—this year's PacMan—or will they achieve ultimate status as a staple? Who knows? Meanwhile their availability in supermarket bakeries is growing like a bin of yeast left in the sun. Part of their appeal is their adaptability to variations—from apple to zucchini. Bagels too are coming on strong, also in variations. When asked what they're dropping to make room for these new items, operators shrug, "Not much."

Only about half of bakeries are found at the beginning of the shopping pattern. Others are often side by side with the deli further on in the traffic flow.

In planning either new installations or remodels, bakery executives audition equipment for its "labor-saving" potential. In addition to production equipment, merchandising equipment is also a matter of concern, especially among those veering in the direction of more self-service.

Although a 5.1% share of sales may seem modest, the impact made by the bagels/croissants/muffins category in generating new product excitement is noteworthy. Some of the new fans of these baked treats appear to have switched over from doughnuts, which ebbed in market share compared to 1982. While customer appeal is the primary factor in modulating the product mix that is presented, labor intensiveness is also a large consideration.

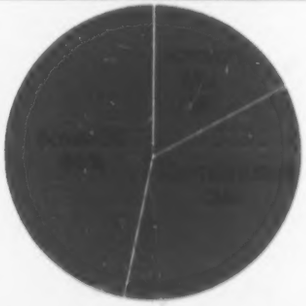
Bakeries are sometimes the orphan when it comes to allocation of promotional attention. Compared to their share of store space—or even store sales—they're often the forgotten department. Given the department's unique suitability for sampling, it's surprising that one store in three still eschews this proven traffic and sales builder.

Bakery Items/ Lines Most Frequently Added or Increased

1. Croissants	74%
2. Bagels	35

Also: Cakes, muffins, variety breads, sweet goods.

Major Method of Production % Using



Preferred Location for Bakery

First in traffic pattern	47%
Last in traffic pattern	33
Other	20
Total	100%

The Well-Equipped Instore Bakery

% Who Have	
Proofer	95%
Oven*	93
Freezer	93
Mixer	90
Fryer/doughnut system	78
Retarder	73
Glazer	61
Packaging equipment	51
Sheeter	49
Bread/roll plant	22
Automatic oven	17

*Excludes automatic oven.

How Customers Spend

Percent Who Shop the Instore Bakery	
Mean	29.8%
Median	25.0%
How Much They Spend	
Mean	$1.35
Median	$1.20
Under $1.00	39%
$1.01-$1.50	31
$1.51-$2.00	19
Over $2.00	11
Total	100%

Portioning Out the Instore Bakery Dollar

Share of Sales	
White bread and rolls	28.5
Variety bread and rolls	14.1
Yeast-raised doughnuts	8.8
Sweet goods	7.8
Cookies	6.2
Layered cakes	6.0
Decorated cakes	5.7
Cake doughnuts	5.5
Pies	5.4
Bagels/croissants/muffins	5.1
Danish	4.3
Custom-decorated cakes	3.0

Advertising and Promotion Sell Instore Bakery

% Using	
Newspapers	80%
Sampling	66
Point-of-purchase	61
Circulars	59
Radio	19
Television	9

Instore Bakery Review

As the self-service concept asserts itself in bakery, it's really just a reconfirmation of what's drawn shoppers to supermarkets for over five decades.

While departments can be classified by their primary method of production, most are flexible in fitting the most efficient method to each of their product lines. Several operators say they are reevaluating their methods of preparation and, for example, testing the performance of bakeoff and/or mixes for some products they currently prepare from scratch.

While four sales dollars in 10 are accounted for by service, slippage below the current level seems inevitable as operators experiment with self-service merchandising and customers for their part react enthusiastically. In some areas, of course, the borders of experimentation are drawn by local health codes. But in areas where roll bins are complemented by self-service racks offering sweet goods, customer acceptance has been strong. Given the eye and nose appeal of fresh-baked merchandise, the term "impulse purchase" has a sweeter meaning.

Methods of Preparation

	Bake-Off	Mix	Scratch
White bread and rolls	72%	35%	24%
Variety bread and rolls	72	38	24
Yeast-raised doughnuts	50	48	15
Cake doughnuts	24	75	12
Sweet goods	70	35	15
Cookies	72	22	30
Pies	90	5	12
Layered cakes	40	65	20

NOTE: Includes multiple answers.

Who Supplies Instore Bakeries

	Bakery Distributor/ Supplier	Grocery Wholesaler	Ingredients Manufacturer	Wholesale Baker
Bake-Off	48%	52%	19%	8%
Mix	47	37	37	4
Scratch	73	32	23	7
Finished goods	40	60	8	15

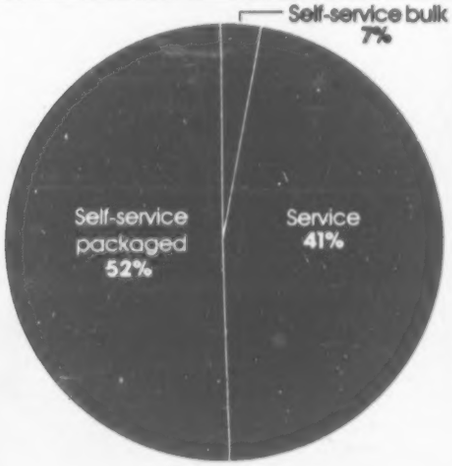
NOTE: Includes multiple answers.

Trends in Service

Direction Executives Expect Their Bakeries to Move	
Toward more self-service	49%
Toward more service	22
No change	29

Service Vs. Self-Service

(% of Instore Bakery Sales)



Self-Service Equipment Used

% Using	
Display tables for packaged self-service	92%
Self-service racks (or shelves) without doors	56
Self-service racks with sliding glass doors	5
Free-standing self-service racks (on wheels)	26
Roll bins with tongs for self-service	22

weak sales and the 6.2 percent loss rate was slightly higher than the 5.1 percent loss recorded in the month-earlier period. The action was found among hair setting needs and hair dressing needs, where new line extensions and mousse dressings caused expanded category unit sales volume. Home permanent kits (+6.7 percent) came back into the winner's circle and both hair sprays (+11.1 percent) and hair coloring items (+5.4 percent) continued in strong demand. The entire product group moved ahead 1.9 percent, as compared with a gain of 6.3 percent for the March reporting period.

Brushing up

Showing improved sales activity vis-à-vis the preceding period was oral hygiene, where the sales gain moved from 1.6 percent in March to 4.8 percent in April. This increase was largely due to sales vitality in the toothpaste and powder category, which racked up an increase of 7.4 percent. Denture cleaners (−7.0 percent) remain a soft spot in the oral hygiene sector and mouthwash sales were 0.7 percent in arrears a year ago. Gains in the neighborhood of four percent were found among breath fresheners, denture adhesives and toothbrushes.

There were some trouble spots among proprietary remedy categories; loss rates were found among nine categories as compared with gains in only four. In four categories, the unit volume declines were only modest retrenchments: 0.5 percent for internal analgesics, 0.4 percent for appetite suppressants, 1.9 percent for antacids and 2.3 percent for nasal spray-drops-inhalers. The 14.4 percent loss for proprietary tranquilizers does not translate into many sales dollars in this category which is fading out of sight. Of more serious consequence was a loss of 9.2 percent for external analgesics in contrast with the 7.6 percent gain in the March period. Among cold remedy categories, only cold tablets registered a four-week gain (+11.0 percent). Moving downside were chest rubs (−5.5 percent), cough remedies (−3.8 percent) and nasal sprays-drops-inhalers (−2.3 percent). The laxative and stool softener category recorded a 3.0 percent loss. The bright spots in this product group were found among eye care products (+18.3 percent), which are continually enjoying double-digit sales gains, and sleeping aids (+13.7 percent), running strong for a number of consecutive months. Vitamins (+3.4 percent) slowed down on their upward surge rate.

Razor's edge

One of the reasons for a unit sales decline among shaving creams (−3.6 percent) may have been the aftermath of a two-for-one promotion for Edge early in the year, which took some shavers out of the market until supplies were used up. Unit sales volume of razor blades tended downward 4.5 percent and these two category losses were not offset by gains of 10.1 percent, 2.1 percent and 2.0 percent for after shave lotions, razors and blades and pre-shave lotions, respectively. Therefore, the product group ended up with a loss rate of 3.2 percent—higher than the 0.6 percent decline during the preceding period.

For the most part, sales of skin care aids show plusses, whether looked upon for 52 weeks, 12 weeks or four weeks. The only negative trends among the five categories in this product group are −1.0 percent for annual unit volume of suntan lotion-suntan oil and a loss of 2.7 percent for four-week volume of facial preparations. Recovering strongly as the peak season commenced were the suntan products, which recorded a 19.6 percent increase. A minimal 0.4 percent gain was found among lip care products. Cosmetic and medicated skin aids showed a four-week gain of 5.9 percent versus plus 2.1 percent in March. However, the reverse direction was found in the case of hand and body creams and lotions, where the 20.8 percent gain rate seen in March was followed by growth of only 3.9 percent in the April reporting period.

Perhaps it was time for health and beauty aids to slow down and catch their breath before moving solidly upward again. Unusual weather patterns in many sections of the country as spring unfolded, may help to account for weakness in some categories. ■